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No. 15-927

IN THE
Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG, ET AL.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, ET AL.,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICUS CURIAE* ART+COM INNOVATIONPOOL GmbH SUPPORTING PETITIONERS

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QUESTION PRESENTED

Whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286.

TABLE OF CONTENTS

	Page
Question Presented	i
Interest of *Amicus Curiae*	1
Summary of Argument	3
Argument	4
I. The Federal Circuit Sidestepped *Petrella* Only Through A Fundamentally Flawed Common-Law Codification Theory	4
A. The Federal Circuit asked the wrong question when examining the pre-1952 common law by ignoring the key role of federally prescribed limitations periods	5
B. Properly framed, the Federal Circuit's view of the relevant pre-1952 common law rests on a single, now-discredited circuit case	6
II. The Understanding At The Time Of The Patent Act Confirms That Laches Does Not Bar Recovery Of Damages Incurred Within A Federally Prescribed Limitations Period	10
Conclusion	11

TABLE OF AUTHORITIES

Page

CASES

ART+COM Innovationpool GmbH v. *Google Inc.*, C.A. No. 14-cv-217-RGA (D. Del.) 1, 2

Astoria Fed. Sav. & Loan Ass'n v. *Solimino*, 501 U.S. 104 (1991) 7, 10

Baker Botts L.L.P. v. *ASARCO LLC*, 135 S. Ct. 2158 (2015) 7

Banker v. *Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934) 6

Dixon v. *United States*, 548 U.S. 1 (2006) 7

Ford v. *Huff*, 296 F. 652 (5th Cir. 1924) 6

France Mfg. Co. v. *Jefferson Elec. Co.*, 106 F.2d 605 (6th Cir. 1939) 6

Gillons v. *Shell Co. of Cal.*, 86 F.2d 600 (9th Cir. 1937) 6, 8, 9, 10

Hartford-Empire Co. v. *Swindell Bros.*, 96 F.2d 227 (4th Cir. 1938) 7

Holmberg v. *Armbrecht*, 327 U.S. 392 (1946) 10

Isbrandtsen Co. v. *Johnson*, 343 U.S. 779 (1952) 7

Kelley v. *Boettcher*, 85 F. 55 (8th Cir. 1898) 8

Kirtsaeng v. *John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013) 4, 7

TABLE OF AUTHORITIES—Continued

Page

Middleton v. *Wiley*,
195 F.2d 844 (8th Cir. 1952) 10

Petrella v. *Metro-Goldwyn-Mayer, Inc.*,
134 S. Ct. 1962 (2014) 2, 3, 4, 5, 9, 10, 11

Russell v. *Todd*,
309 U.S. 280 (1940) 9

Senator Linie Gmbh & Co. Kg v. *Sunway Line, Inc.*,
291 F.3d 145 (2d Cir. 2002) 8

Teamsters & Emp'rs Welfare Tr. of Ill. v. *Gorman Bros. Ready Mix*,
283 F.3d 877 (7th Cir. 2002) 5, 6, 9

United Drug Co. v. *Ireland Candy Co.*,
51 F.2d 226 (8th Cir. 1931) 7

United States v. *Mack*,
295 U.S. 480 (1935) 10

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INTEREST OF *AMICUS CURIAE*[1]

Laches is an essential issue for ART+COM Innovationpool, GmbH (ACI). ACI is in the midst of a multi-million dollar patent infringement action against Google, Inc., and laches is a key defense in the case, with the potential to deny ACI damages incurred within the six-year statute-of-limitations period. See *ART+COM Innovationpool GmbH* v. *Google Inc.*, C.A. No. 14-cv-217-RGA

[1] Pursuant to Rule 37.2(a), *amicus* provided timely notice of its intention to file this brief to counsel for all parties. All parties have consented. In accordance with Rule 37.6, no counsel for any party has authored this brief in whole or in part, and no person or entity, other than the *amicus* or its counsel, has made a monetary contribution to the preparation or submission of this brief.

(D. Del.). Consistent with this Court's holding in *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), ACI wishes to strike the laches defense for damages incurred during that statutory limitations period. But the district court denied its motion to strike that defense in light of the Federal Circuit's contrary view reflected in the opinion below. *ART+COM Innovationpool GmbH* v. *Google Inc.*, C.A. No. 14-cv-217-RGA (D. Del.) (ECF No. 33).

ACI's insights into this legal issue are much more than that of one litigant faced with a laches issue. Its experiences in the Google litigation are representative of the hurdles faced by many smaller companies who possess potentially colorable infringement claims against behemoth corporations. Smaller companies cannot afford to sue first and ask questions later when presented with a potentially valid infringement claim. The costs are too high for all but the patent trolls who make it their business to extract settlements on shaky infringement claims. Instead, the preferred approach is negotiation and careful analysis to resolve legitimate disputes without involving the court and incurring the steep costs of patent litigation.

That is the path ACI took in its case, engaging in several good-faith negotiations with Google and applying for two reissues of its patent. But all of that took time, and at the end of the process, once Google had cut off negotiations and the reissues were complete, more than six years had passed from the initial infringement. Thus, like many smaller companies who wish to avoid costly litigation—especially litigation against a company with Google's near-limitless resources—ACI's restraint and prudence left it open to a laches claim under the holding of the opinion below.

ACI has seen the perverse results of the Federal Circuit's laches doctrine firsthand, and it wants this Court to

end the absurdity of that approach before it is too late for ACI and many other similarly situated smaller companies.

SUMMARY OF ARGUMENT

In the opinion below, the Federal Circuit confronted the same question this Court answered in *Petrella*, yet it reached the opposite conclusion. Whereas this Court held that that "laches [cannot] bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period," 134 S. Ct. at 1975, the Federal Circuit permitted laches to do just that. Pet. App. 35a-36a. The Federal Circuit escaped this Court's mandate only by converting laches from a common-law, gap-filling doctrine into a statutory co-equal of the patent statute of limitations, claiming that Congress codified laches *sub silentio* in the Patent Act of 1952.

Even if that were correct, the Federal Circuit's analysis of the pre-1952 common law Congress is said to have codified is hopelessly mired in error. The court investigated only part of the relevant question, asking whether, in the abstract, "the case law prior to 1952 * * * applied laches to bar legal relief." *Id.* at 27a. It left out the most important ingredient—whether laches possesses that power *for damages incurred within a federally prescribed statutory limitations period.* That key omission set the Federal Circuit up for failure. It asked the wrong question, so it arrived at the wrong answer.

Properly focused, analysis of the pre-1952 common law confirms that while laches may bar damages allowable under an analogous state statute of limitations when Congress has remained silent on the limitations period, it cannot countermand the will of Congress expressed in a federal statute of limitations. This Court has made that clear both before and after 1952. Thus, if Congress codified any laches defense in the Patent Act, it is one that

recedes in the face of a federal statute of limitations like the one governing claims for patent infringement.

ARGUMENT

I. THE FEDERAL CIRCUIT SIDESTEPPED *PETRELLA* ONLY THROUGH A FUNDAMENTALLY FLAWED COMMON-LAW CODIFICATION THEORY

The Federal Circuit evaded this Court's laches holding in *Petrella* by artificially removing the issue from the common law. Admitting that there is "no substantive distinction material to the *Petrella* analysis between [the patent statute of limitations] and the copyright statute of limitations considered in *Petrella*," Pet. App. 18a, the court escaped the logical conclusion of that concession by "conclud[ing] that Congress codified a laches defense in § 282." *Id.* at 22a. This silent codification transformed laches in the patent context from a gap-filling, common-law doctrine that recedes in the face of a statutory limitations period into a co-equal of the explicit patent statute of limitations. It is the linchpin of the Federal Circuit's entire opinion.

Yet it is built on a foundation of sand. Invoking the principle that "[w]hen a statute covers an issue previously governed by the common law, we must presume that Congress intended to retain the substance of the common law," *id.* at 24a (quoting *Kirtsaeng* v. *John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013)), the court held that "[s]ection 282 therefore retains the substance of the common law as it existed at the time Congress enacted the Patent Act." *Id.* at 26a. Assuming the Federal Circuit got it right thus far, the court should then have looked to the common-law understanding of laches in 1952, when Congress enacted the Patent Act. Although the Federal Circuit attempted to undertake that analysis, it both defined the precise question incorrectly and employed illegitimate evidence to answer it. These errors paved the way for the Federal Circuit's bizarre conclu-

sion that the equitable doctrine of laches can bar recovery of legal damages incurred within a statutory limitations period.

A. The Federal Circuit asked the wrong question when examining the pre-1952 common law by ignoring the key role of federally prescribed limitations periods

The Federal Circuit doomed its analysis from the start by asking the wrong question. It saw its task as determining whether "the case law prior to 1952 * * * applied laches to bar legal relief." *Id.* at 27a. But that framing of the question omits the defining feature of this issue—the federal patent statute of limitations. The right question, the question the court did not consider, is whether "the case law prior to 1952 * * * applied laches to bar" damages *incurred within a federally prescribed statutory limitations period.*

That distinction is critical. In the absence of a federal statute of limitations, courts "use[] analogous state statutes of limitations to determine the timeliness of infringement claims." *Petrella*, 134 S. Ct. at 1968. Laches may apply during such a limitations period because it is merely a placeholder, not a congressional choice about the timeliness of claims: "When Congress fails to enact a statute of limitations, a [federal] court that borrows a state statute of limitations but permits it to be abridged by the doctrine of laches is not invading congressional prerogatives. It is merely filling a legislative hole." *Ibid.* (quoting *Teamsters & Emp'rs Welfare Tr. of Ill.* v. *Gorman Bros. Ready Mix*, 283 F.3d 877, 881 (7th Cir. 2002)); see also *id.* at 1975 n.16 ("When state law was the reference, federal courts sometimes applied laches as a further control.").

It is a different matter entirely when Congress has spoken through a federal statute of limitations. That is because the common-law doctrine of laches is "gap-filling,

not legislation-overriding." *Id.* at 1974. And that is also why this Court "ha[s] never applied laches to bar in their entirety claims for discrete wrongs *occurring within a federally prescribed limitations period.*" *Id.* at 1975 (emphasis added).

B. Properly framed, the Federal Circuit's view of the relevant pre-1952 common law rests on a single, now-discredited circuit case

1. Correcting the Federal Circuit's question renders nearly everything it cites for the pre-1952 common-law understanding of laches inapposite. The majority's two principal cases do not even mention a federal statute of limitations, much less discuss the interplay between the common-law doctrine of laches and a statutory mandate on the timeliness of claims. See *Banker* v. *Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934); *Ford* v. *Huff*, 296 F. 652 (5th Cir. 1924); Pet. App. 29a-32a. The plethora of inapposite cases that appear in the majority's string citations lend no support to its view of the pre-1952 law either, save only one. See Pet. App. 29a-30a, 32a-33a.

Purged of the precedent irrelevant to the real question about the pre-1952 common law, the Federal Circuit's view of the common-law understanding of laches in this context rests on a lone court of appeals case, *Gillons* v. *Shell Co. of California*, 86 F.2d 600 (9th Cir. 1937). That is the only pre-1952 case the court cites (or that ACI has found) supporting the notion that laches can bar legal damages incurred within a federally prescribed limitations period.[2]

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[2] *Gillons* is the only pre-1952 case that applied laches to bar recovery for legal damages incurred within the patent statute of limitations. The opinion below cited two additional cases that briefly mention the possible interplay between a federally prescribed limitations period and laches, but they both quickly dismissed the laches argument without having to confront the question directly. See *France Mfg. Co.* v. *Jefferson Elec. Co.*, 106 F.2d 605, 609 (6th Cir. 1939);

2. That paucity of case law alone refutes the Federal Circuit's conclusion that Congress codified that principle in the Patent Act. The canon of construction the Federal Circuit employed to transform a common-law principle into a statutory mandate requires that the common law be "well established" at the time of the statutory enactment: "[W]here a common-law principle is *well established*, * * * the courts may take it as given that Congress has legislated with an expectation that the principle will apply." *Astoria Fed. Sav. & Loan Ass'n* v. *Solimino*, 501 U.S. 104, 108 (1991) (emphasis added); see also *Isbrandtsen Co.* v. *Johnson*, 343 U.S. 779, 783 (1952) ("Statutes which invade the common law * * * are to be read with a presumption favoring the retention of *long-established* and *familiar* principles." (emphases added)).

The types of common-law doctrines that qualify have "an impeccable historic pedigree." *Kirtsaeng* v. *John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013). One such doctrine had "for at least a century * * * played an important role in American copyright law." *Ibid.* Another "ha[d] roots in our common law reaching back to at least the 18th century." *Baker Botts L.L.P.* v. *ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015).

One case from one court of appeals does not constitute a "long-established and familiar principle[]" worthy of the canon. *Isbrandtsen*, 343 U.S. at 783. This Court has rightly rejected attempts by a party to "cite[] only one federal case * * * for the proposition that [a doctrine is] well established in federal law." *Dixon* v. *United States*, 548 U.S. 1, 13-15 (2006). The Second Circuit has done likewise, declining to find "a firmly established rule" when the defendants "base[d] their understanding of the

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Hartford-Empire Co. v. *Swindell Bros.*, 96 F.2d 227, 233 (4th Cir. 1938). An Eighth Circuit case not cited in the opinion below did the same. *See United Drug Co.* v. *Ireland Candy Co.*, 51 F.2d 226, 232 (8th Cir. 1931).

pre 1936 American maritime common law of shipper liability almost entirely on one case." *Senator Linie Gmbh & Co. Kg* v. *Sunway Line, Inc.*, 291 F.3d 145, 158, 161 (2d Cir. 2002). That lone case could not demonstrate that the common-law doctrine was "sufficiently coherent or settled for purposes of codification." *Id.* at 165.

The same reasoning applies here. One case proves nothing. It certainly does not demonstrate a "well established" common-law practice of using laches to deny patentees recovery allowed by the patent statute of limitations. *Astoria*, 501 U.S. at 108. Congress is not presumed to have scoured the case law and approved of every jot and tittle inked in the federal courts when it enacts a statute. That would be an absurd canon of construction. Yet that is the only reasoning that can justify the Federal Circuit's holding. *Gillons* is the entirety of the pre-1952 common law supporting its laches rule. Congress did not codify a stray court of appeals case *sub silentio* in the Patent Act.

3. Congress especially cannot be presumed to have codified a case with reasoning as suspect as *Gillons*'s. Much like the Federal Circuit in its current laches jurisprudence, the *Gillons* court treated the federal statute of limitations as if it were a borrowed state limitations period—merely informative of the operative presumptions and evidentiary burdens attending proof of unreasonable delay. Indeed, the "leading case" it cited for this practice addressed only whether laches can bar a suit that is timely under a *state* statute of limitations. *Gillons*, 86 F.2d at 607 (citing *Kelley* v. *Boettcher*, 85 F. 55, 62 (8th Cir. 1898)). That is how the court reached its conclusion that "[i]n determining what delay constitutes laches, courts of equity are not bound by the statutes of limitations relat-

ing to actions at law of like character." *Id.* at 607.[3] The court went on to apply laches to bar the plaintiff's claim for infringement damages incurred during the six-year period allowed by the patent statute of limitations. *Id.* at 607-611.

This Court exposed the fallacies in that reasoning in *Petrella*. Whether or not Congress has prescribed a limitations period is a momentous question for laches purposes. "When Congress fails to enact a statute of limitations," a court may "use[] analogous state statutes of limitations to determine the timeliness of infringement claims." *Petrella*, 134 S. Ct. at 1968. In that circumstance, "permit[ting the state statute] to be abridged by the doctrine of laches is not invading congressional prerogatives." *Ibid.* (quoting *Teamsters & Emp'rs Welfare Tr.*, 283 F.3d at 881). Congress has not spoken on the matter, and laches is merely fulfilling its traditional role as a "gap-fill[er]." *Id.* at 1974. But permitting laches during a federally prescribed limitations period "[i]nvit[es] individual judges to set a time limit other than the one Congress prescribed," transforming laches from "gap-filling" to "legislation-overriding." *Id.* at 1974-1975. This Court has never ascribed such power to the common-law doctrine of laches. *Ibid.*

That critical distinction eluded the *Gillons* court, just as it has the Federal Circuit. *Gillons* equated two very different situations and treated the patent statute of limitations enacted by Congress as if it had been borrowed

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[3] If the statute of limitations before it had come from a state and not Congress, the *Gillons* court would have been correct. *See Petrella*, 134 S. Ct. at 1968 ("When Congress fails to enact a statute of limitations, a [federal] court that borrows a state statute of limitations but permits it to be abridged by the doctrine of laches is not invading congressional prerogatives. It is merely filling a legislative hole." (quoting *Teamsters & Emp'rs Welfare Tr.*, 283 F.3d at 881)); see also *Russell* v. *Todd*, 309 U.S. 280, 289 (1940).

from a state. *Gillons*, 86 F.2d at 607-608. It is folly to presume that Congress codified such an outlier opinion with logical deficiencies of that magnitude.

II. THE UNDERSTANDING AT THE TIME OF THE PATENT ACT CONFIRMS THAT LACHES DOES NOT BAR RECOVERY OF DAMAGES INCURRED WITHIN A FEDERALLY PRESCRIBED LIMITATIONS PERIOD

If Congress codified any laches defense when it enacted the Patent Act, then that defense cannot bar legal damages for harm incurred during the six-year patent statute of limitations, even it may be able to foreclose equitable relief during that period. That was the "well established" understanding in 1952. *Astoria*, 501 U.S. at 108.

In 1935, this Court stated unequivocally that "[l]aches within the term of the statute of limitations is no defense at law." *United States* v. *Mack*, 295 U.S. 480, 489 (1935). It reaffirmed that principle a decade later. See *Holmberg* v. *Armbrecht*, 327 U.S. 392, 395 (1946) ("If Congress explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter. The Congressional statute of limitation is definitive."). The Eighth Circuit applied that settled law only a few months before Congress enacted the Patent Act: "[M]ere delay in seeking redress cannot destroy the right of the patentee to compensatory damages. * * * The statute provides that recovery shall not be had for any infringement committed more than six years prior to the filing of the complaint in the action. There is apparently no other period of limitations which may be invoked by an infringer to bar recovery." *Middleton* v. *Wiley*, 195 F.2d 844, 847 (8th Cir. 1952).

This Court recognized that long-established understanding of laches in *Petrella*: "The expansive role for laches [the alleged infringer] envisions careens away from understandings, *past and present*, of the essentially

gap-filling, not legislation-overriding, office of laches. * * * [W]e have never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period." 134 S. Ct. at 1974-1975 (emphasis added). Laches was, is, and always has been a gap-filling doctrine that recedes in the face of a congressionally prescribed statute of limitations. That was the understanding Congress codified in the Patent Act in 1952, if it codified any laches defense at all.

CONCLUSION

The petition for writ of certiorari should be granted.

Respectfully submitted.

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